

KENTUCKY ECONOMIC INDICATORS

September 2008 as of December 2, 2008

KY Composite Index of Leading Indicators decreased by 5.7 percent in September.

- The Leading Index has decreased for the second consecutive month.
- The month-over-same-month-last-year growth rate declined for the tenth consecutive month with -2.8 percent.
- The components leaned heavily negative with one unchanged, 0:4.
 - KY Labor Intensity Index decreased 3.2 percent.
 - KY Index of Initial UI Claims decreased by 11.9 percent.
 - US Retail Sales decreased by 14.5 percent.
 - US Manufacturer's New Orders Index decreased by 5.1 percent.
 - o The Louisville Help Wanted Index remained unchanged at 11.

Component weights for September are 68.5, 13.4, 11.9 5.0 and 1.2 respectively.

KY Composite Index of Coincident Indicators decreased by 15.7 percent in September.

- The Coincident Index growth is negative for the second consecutive month.
- The month-over-same-month-last-year growth rate is negative for the third consecutive month with -2.1 percent.
- Component indicators were all negative for September, 0:3.
 - KY Non-farm Employment decreased 7.3 percent.
 - US Industrial Production Index decreased 36.8 percent.
 - US Personal Income Less Transfers decreased 4.8 percent.

Component weights for September are 39.1, 28.8 and 19.1 respectively. Component weights do not sum to one because the two US components were discounted to give the Kentucky component more weight.

The Kentucky Leading Index declined sharply for the second straight month as no component indicators posted positive growth. Four of the five components declined and the Louisville Help Wanted Index remained unchanged. The four moving components each moved moderately to strongly negative. The Kentucky Labor Intensity Index continued its sharp decline with 3.2 percent losses. Three of the five Labor Intensity industries lost seasonally adjusted jobs in September. Petroleum, Coal, Rubber and Plastic Products employment declined by 200 seasonally adjusted jobs and Fabricated Metals employment was marginally lower. Transportation Equipment employment fell sharply for the second straight month with just under 1,800 in seasonally adjusted job losses, a 3.6 percent decline. The other two employment industries increased employment by less than 30 seasonally adjusted jobs.

In addition to employment, the Kentucky Labor Intensity Index contains average weekly hours for the same five manufacturing industries. All five industries lowered their average weekly hours in September. Average weekly hours for wood products, Chemicals and Transportation Equipment each declined by one-tenth of an hour. Average weekly hours for Petroleum, Coal, Rubber and Plastic Products declined by two-tenths of an hour and average weekly hours in fabricated metals declined by three-tenths of an hour. All five average weekly hour losses were under one percent for September but it comes as employment is also declining. This means that employers are cutting hours and workers simultaneously. This usually only occurs in the middle of a prolonged decline in demand for the sectoral output.

The Kentucky UI Claims Index fell for the fourth consecutive month with an 11.9 percent drop. Both components rose sharply with the US component having a slightly larger increase. Kentucky First Pays increased by 5.8 percent, while US Initial Claims rose by 7.8 percent. This is the sixth consecutive month that US Initial Claims have increased moderately to strongly. The Kentucky UI Claims Index is now 5.7 percent below its September 2007 position. The number of seasonally adjusted exhaustees, those workers who have exhausted their unemployment benefits, increased by 33 percent in September. This is the second consecutive month of double-digit exhaustee increases. Exhaustees have increased by 61.5 percent compared to September 2007. By any measure the number of Kentucky exhaustees is increasing sharply. Average duration of receiving unemployment payments has increased for the fifth consecutive month. Average duration has climbed from 13.7 weeks in May to 14.4 weeks in September. The extended duration of an average unemployment claim, combined with an increase in claimants who exhaust their 26-month maximum benefit weeks, gives a strong signal that unemployed workers are having extreme difficulty finding suitable replacement jobs.

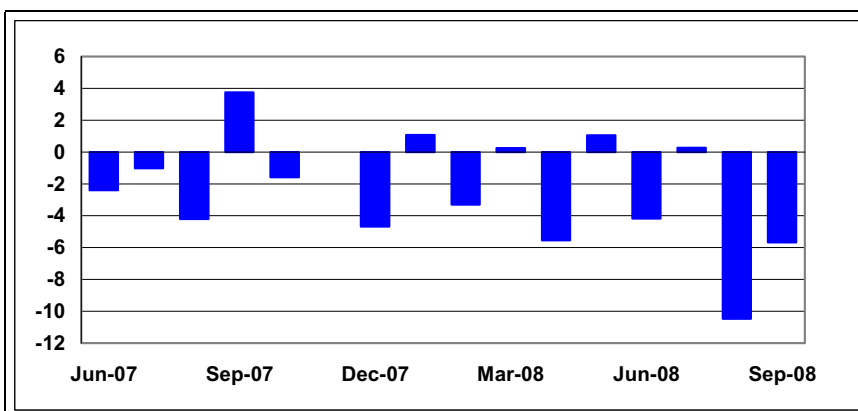
The most notable mover this month is US Retail Sales which declined for the third consecutive month, with a resounding 14.5 percent loss. This is the first time since 1992 (when the new US Retail Sales series was generated) that US Retail Sales has fallen below its 12-month minimum. In other words, this is the first time that US Retail Sales has had negative growth compared to US Retail Sales a year ago. In past recessions, US Retail Sales have continued to expand albeit at anemic growth rates. In September it is now clear that US Retail Sales has reached a local maximum and has now entered a period of contraction. Some of the losses in Retail Sales can be explained by the overall decline in prices. The Consumer Price Index (CPI) for all goods decreased for the second consecutive month with a 0.4 percent decline. However, as the growth rates indicate, the majority of the US Retail Sales losses are due to decreased consumption.

The Kentucky Coincident Index continued its downward trend with a 15.7 percent single-month loss. This is the largest single month decline in the history of the series, going back to 1990. Kentucky Non-farm employment, a component of the Coincident Index, fell by

7.3 percent in September. That is the largest single-month decline since July 1995. Kentucky has lost 5,300 seasonally adjusted jobs since September 2007. Almost every component of Non-farm employment is declining. Private Services, the largest super-sector, fell for the seventh time in eight months.

US Personal Income has fallen for the ninth time in twelve months and is now 2.0 percent below the September 2007 level. The US Industrial Production Index also reached a peak in the last 12 months and stands 5.6 percent below its September 2007 level. Likewise, the US Manufacturing New Orders Index is down for the third consecutive month with 5.1 percent in losses over August 2008.

New orders of manufacturing goods have only increased three times in the last 13 months. The index is down over 10 percent since September 2007.



Total General Fund Tax Receipts were down 4.4 percent over September 2007, as sales tax and corporate income tax receipts have declined.

Our indices are compiled and published on a monthly basis, roughly two weeks following the Conference Board release of the U.S. Leading Index. A complete description of the Index of Leading Indicators and methodology was published in the University of Kentucky Center for Business and Economic Research *Kentucky Annual Economic Report, 2000*.

About the Indicators

Kentucky Reference Series

Inflation-adjusted personal income less transfer payments and policy-adjusted General Fund tax receipts are combined to form the GOEA composite reference series.

Kentucky Leading Indicators

- **GOEA Labor Intensity Index:** Composed of seasonally adjusted weekly hours multiplied by employment for the following manufacturing industries: lumber products; chemical and allied products; petroleum, coal, rubber and plastic products; fabricated metals; and transportation equipment.
- **GOEA Initial Unemployment Insurance (UI) Claims Index:** This index has two components: Kentucky claims in their first month of payment and total U.S. initial claims. Additional claims for UI are the subset of initial claims filed by workers who have previously filed UI claims but are currently filing new claims with intermittent workforce attachment since their original claim. The claims in their first month of payment without intermittent qualified experience performed better in the testing process and were chosen accordingly.
- **U.S. Retail Sales:** Inflection points used to determine turning points.
- **U.S. Manufacturer's New Orders Index:** This index has two components: U.S. Manufacturer's New Orders for Nondefense Capital Goods and U.S. Manufacturer's New Orders for Consumer Goods and Materials. Separately these two series slightly missed one or two turning points in the official reference series. But together they preceded each turning point.
- **Louisville Help-Wanted Index:** The Conference Board computes an index of help-wanted advertisements for major regions across the United States; Louisville is the only city in Kentucky covered by the Conference Board.

Notes:

- Growth rates are computed with precise numbers. Due to rounding, two observations may have the same reported value but still exhibit growth at a more precise level.
- More information is available on our website, <http://www.osbd.ky.gov/>.

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**SELECTED KENTUCKY ECONOMIC INDICATORS
SEASONALLY ADJUSTED**

| | 2007 | | | | | 2008 | | | | | | | |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP |
| KY Leading Index (1992=100) | 113.1 | 113.0 | 113.0 | 112.5 | 112.6 | 112.3 | 112.3 | 111.8 | 111.9 | 111.5 | 111.5 | 110.5 | 110.0 |
| % Chg Previous Month SAAR | 3.7 | -1.6 | 0.0 | -4.7 | 1.1 | -3.3 | 0.2 | -5.5 | 1.1 | -4.2 | 0.3 | -10.5 | -5.7 |
| % Chg Same Month Last Year | 0.0 | 0.1 | 0.1 | -1.0 | -0.4 | -0.6 | -1.2 | -1.2 | -1.4 | -1.6 | -1.5 | -2.0 | -2.8 |
| KY Leading Index Diffusion Index | 60.0 | 63.3 | 56.7 | 56.7 | 60.0 | 60.0 | 56.7 | 53.3 | 53.3 | 53.3 | 46.7 | 46.7 | 36.7 |
| KY Coincident Index (1992=100) | 135.8 | 135.8 | 136.0 | 136.1 | 136.1 | 136.0 | 135.9 | 135.5 | 135.4 | 135.3 | 135.5 | 134.8 | 132.9 |
| % Chg Previous Month SAAR | 1.9 | -0.3 | 2.1 | 0.7 | 0.2 | -1.2 | -0.5 | -3.3 | -0.9 | -1.5 | 1.8 | -5.5 | -15.7 |
| % Chg Same Month Last Year | 1.7 | 1.6 | 1.7 | 1.2 | 1.4 | 1.0 | 0.9 | 0.5 | 0.3 | 0.0 | -0.1 | -0.6 | -2.1 |
| KY Non-farm Employment (000s) | 1,870.8 | 1,874.5 | 1,877.9 | 1,880.0 | 1,881.5 | 1,880.5 | 1,881.6 | 1,878.5 | 1,879.1 | 1,875.8 | 1,884.6 | 1,877.4 | 1,865.5 |
| % Chg Previous Month SAAR | 1.6 | 2.4 | 2.2 | 1.4 | 1.0 | -0.6 | 0.7 | -2.0 | 0.4 | -2.1 | 5.8 | -4.5 | -7.3 |
| % Chg Same Month Last Year | 1.2 | 1.5 | 1.5 | 1.0 | 1.2 | 1.2 | 1.0 | 0.8 | 0.5 | 0.3 | 0.8 | 0.5 | -0.3 |
| KY Private Services Employment (000s) | 1,182.3 | 1,186.7 | 1,186.9 | 1,188.4 | 1,194.4 | 1,193.5 | 1,190.7 | 1,189.3 | 1,185.2 | 1,183.5 | 1,188.6 | 1,188.1 | 1,181.6 |
| % Chg Previous Month SAAR | 0.0 | 4.6 | 0.2 | 1.5 | 6.3 | -0.9 | -2.8 | -1.4 | -4.1 | -1.7 | 5.3 | -0.5 | -6.4 |
| % Chg Same Month Last Year | 1.6 | 1.7 | 1.5 | 1.2 | 1.6 | 1.7 | 1.1 | 1.1 | 0.2 | 0.0 | 0.6 | 0.5 | -0.1 |
| KY Mfg Employment (000s) | 254.8 | 253.9 | 253.1 | 250.7 | 250.6 | 250.4 | 253.3 | 250.7 | 251.8 | 247.9 | 252.3 | 245.4 | 242.8 |
| % Chg Previous Month SAAR | 9.9 | -4.2 | -3.7 | -10.8 | -0.5 | -1.0 | 14.8 | -11.6 | 5.4 | -17.1 | 23.5 | -28.3 | -12.0 |
| % Chg Same Month Last Year | -2.3 | -0.9 | -0.9 | -3.3 | -3.2 | -3.3 | -0.8 | -2.8 | -2.3 | -4.0 | -1.6 | -2.9 | -4.7 |
| KY Unemployment Rate (%) | 5.4 | 5.4 | 5.1 | 5.3 | 5.2 | 5.3 | 5.7 | 5.6 | 6.2 | 6.3 | 6.7 | 6.8 | 7.1 |
| KY Index of Initial UI Claims (1992=100) | 104.2 | 101.4 | 102.9 | 101.4 | 102.9 | 102.2 | 101.0 | 100.9 | 101.3 | 100.2 | 100.0 | 99.3 | 98.2 |
| % Chg Previous Month SAAR | 9.3 | -27.6 | 19.4 | -16.6 | 19.9 | -7.6 | -13.1 | -2.0 | 5.8 | -12.6 | -1.8 | -8.9 | -11.9 |
| % Chg Same Month Last Year | 1.2 | -1.7 | 0.2 | -2.1 | -0.7 | -0.5 | -2.7 | -2.2 | -2.4 | -3.4 | -3.7 | -4.0 | -5.7 |
| KY Labor Intensity Index (1992=100) | 104.6 | 104.9 | 104.8 | 104.5 | 104.6 | 104.5 | 104.5 | 104.4 | 104.4 | 104.0 | 104.5 | 104.1 | 103.8 |
| % Chg Previous Month SAAR | 1.0 | 3.3 | -0.2 | -3.6 | 0.5 | -0.7 | 0.1 | -1.1 | 0.0 | -4.3 | 5.5 | -5.1 | -3.2 |
| % Chg Same Month Last Year | -0.2 | 0.4 | 0.4 | -0.1 | 0.0 | -0.1 | 0.0 | -0.2 | -0.3 | -0.6 | -0.1 | -0.4 | -0.8 |
| Louisville HWI (1992=100) | 23.0 | 23.0 | 19.0 | 20.0 | 19.0 | 18.0 | 20.0 | 15.0 | 15.0 | 15.0 | 13.0 | 11.0 | 11.0 |
| % Chg Previous Month SAAR | 70.5 | 0.0 | -89.9 | 85.1 | -46.0 | -47.7 | 254.1 | -96.8 | 0.0 | 0.0 | -82.0 | -86.5 | 0.0 |
| % Chg Same Month Last Year | -34.3 | -36.1 | -50.0 | -52.4 | -45.7 | -41.9 | -53.5 | -48.3 | -50.0 | -46.4 | -43.5 | -50.0 | -52.2 |
| GF Total Tax Receipts (\$ mill) | 822.3 | 639.4 | 624.7 | 822.3 | 724.3 | 564.7 | 610.5 | 922.7 | 610.3 | 813.5 | 619.9 | 614.5 | 786.1 |
| % Chg Same Month Last Year | -1.5 | 1.5 | -1.0 | -6.7 | 6.1 | 3.8 | -6.5 | 37.3 | -22.2 | 3.2 | 1.9 | 8.5 | -4.4 |
| GF Sales & Use Receipts (\$ mill) | 235.5 | 246.7 | 236.1 | 235.2 | 296.7 | 205.5 | 209.6 | 232.4 | 238.4 | 249.0 | 266.1 | 251.7 | 233.6 |
| % Chg Same Month Last Year | 5.1 | 1.7 | 5.5 | -1.5 | 3.7 | 6.2 | -1.4 | 14.8 | -12.0 | 2.5 | 6.0 | 4.1 | -0.8 |
| GF Income Tax Receipts (\$ mill) | 332.9 | 265.6 | 236.9 | 295.4 | 272.7 | 235.0 | 193.6 | 544.3 | 261.6 | 355.3 | 262.2 | 270.9 | 343.6 |
| % Chg Same Month Last Year | 18.1 | 6.9 | -2.3 | 9.7 | 34.9 | 3.5 | -5.1 | 92.1 | -22.6 | 22.9 | 5.2 | 12.6 | 3.2 |

SELECTED U.S. ECONOMIC INDICATORS SEASONALLY ADJUSTED

| | 2007 | | | | | | 2008 | | | | | | |
|---|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP |
| US Leading Index (2004=100) | 103.7 | 103.2 | 102.8 | 102.6 | 102.1 | 101.9 | 101.9 | 102.0 | 101.9 | 101.9 | 101.2 | 100.3 | 100.4 |
| | 1.2 | -5.6 | -4.6 | -2.3 | -5.7 | -2.3 | 0.0 | 1.2 | -1.2 | 0.0 | -7.9 | -10.2 | 1.2 |
| | 0.0 | -0.7 | -1.0 | -1.7 | -1.8 | -1.7 | -2.1 | -1.8 | -2.0 | -1.9 | -3.3 | -3.2 | -3.2 |
| US Coincident Index (1996=100) | 107.2 | 107.3 | 107.2 | 107.2 | 107.2 | 106.9 | 106.9 | 106.9 | 106.8 | 106.7 | 106.5 | 106.1 | 105.4 |
| | 1.1 | 1.1 | -1.1 | 0.0 | 0.0 | -3.3 | 0.0 | 0.0 | -1.1 | -1.1 | -2.2 | -4.4 | -7.6 |
| | 1.9 | 1.6 | 1.5 | 1.1 | 1.2 | 0.8 | 0.6 | 0.5 | 0.3 | 0.1 | -0.4 | -0.9 | -1.7 |
| US Non-farm Employment (Mil.) | 137.8 | 138.0 | 138.0 | 138.1 | 138.0 | 137.9 | 137.8 | 137.8 | 137.7 | 137.6 | 137.6 | 137.4 | 137.1 |
| | 0.7 | 1.2 | 0.5 | 0.4 | -0.7 | -0.7 | -0.8 | -0.6 | -0.4 | -0.9 | -0.6 | -1.1 | -2.5 |
| | 1.0 | 1.0 | 0.9 | 0.8 | 0.7 | 0.6 | 0.4 | 0.3 | 0.1 | 0.0 | -0.1 | -0.2 | -0.5 |
| US Service-Providing Employment (Mil.) | 115.7 | 115.9 | 116.0 | 116.1 | 116.1 | 116.1 | 116.1 | 116.1 | 116.1 | 116.1 | 116.1 | 116.1 | 115.9 |
| | 1.2 | 1.9 | 1.2 | 1.2 | -0.1 | 0.1 | -0.1 | 0.4 | 0.0 | -0.1 | -0.1 | -0.6 | -2.1 |
| | 1.5 | 1.6 | 1.4 | 1.4 | 1.3 | 1.1 | 1.0 | 0.9 | 0.8 | 0.7 | 0.6 | 0.4 | 0.1 |
| US Manufacturing Employment (000s) | 13,822.0 | 13,797.0 | 13,794.0 | 13,772.0 | 13,737.0 | 13,690.0 | 13,644.0 | 13,592.0 | 13,571.0 | 13,527.0 | 13,487.0 | 13,426.0 | 13,370.0 |
| | -1.9 | -2.1 | -0.3 | -1.9 | -3.0 | -4.0 | -4.0 | -4.5 | -1.8 | -3.8 | -3.5 | -5.3 | -4.9 |
| | -2.2 | -2.1 | -1.9 | -1.9 | -2.0 | -2.1 | -2.2 | -2.4 | -2.4 | -2.6 | -2.9 | -3.0 | -3.3 |
| US Unemployment Rate (%) | 4.7 | 4.8 | 4.7 | 5.0 | 4.9 | 4.8 | 5.1 | 5.0 | 5.5 | 5.5 | 5.7 | 6.1 | 6.1 |
| US Manufacturer's New Orders Index (1996=100) | 129.5 | 129.8 | 129.5 | 130.5 | 126.8 | 125.9 | 125.4 | 123.6 | 122.0 | 122.6 | 122.4 | 116.2 | 115.7 |
| | -6.2 | 2.1 | -2.5 | 9.8 | -28.9 | -8.3 | -4.5 | -16.6 | -14.2 | 6.4 | -1.9 | -46.5 | -5.1 |
| | -3.8 | -0.8 | -1.5 | -2.5 | -1.1 | -2.9 | -4.9 | -7.0 | -6.8 | -6.4 | -9.0 | -10.8 | -10.7 |
| US Initial Claims for UI (000s) | 318.4 | 330.0 | 340.1 | 344.6 | 339.2 | 346.0 | 374.8 | 367.3 | 369.0 | 390.5 | 420.1 | 439.9 | 474.3 |
| | -22.7 | 53.6 | 43.6 | 17.1 | -17.3 | 26.9 | 161.0 | -21.5 | 5.7 | 97.3 | 140.3 | 73.8 | 146.8 |
| | -0.3 | 4.4 | 3.7 | 7.5 | 7.7 | 6.5 | 20.4 | 14.3 | 19.6 | 22.6 | 36.1 | 35.2 | 49.0 |
| US Industrial Production Index (1992=100) | 112.3 | 111.8 | 112.3 | 112.4 | 112.6 | 112.3 | 112.0 | 111.4 | 111.2 | 111.3 | 111.4 | 110.1 | 105.9 |
| | 3.1 | -4.5 | 5.2 | 1.0 | 2.0 | -3.3 | -2.5 | -6.1 | -2.4 | 1.2 | 0.9 | -13.5 | -36.8 |
| | 2.2 | 1.9 | 2.5 | 2.0 | 2.5 | 1.6 | 1.5 | 0.4 | 0.2 | 0.0 | -0.5 | -1.7 | -5.6 |
| US Personal Income Less Trans. (Bil. 2000 chnd) | 8,504.5 | 8,507.5 | 8,498.9 | 8,495.0 | 8,486.1 | 8,484.9 | 8,465.1 | 8,435.2 | 8,420.8 | 8,384.1 | 8,358.3 | 8,370.6 | 8,336.6 |
| | 2.0 | 0.4 | -1.2 | -0.5 | -4.0 | -0.2 | 0.0 | -4.2 | -2.0 | -5.1 | -3.6 | 1.8 | -4.8 |
| | 3.4 | 2.3 | 1.8 | 1.4 | 1.0 | 0.5 | 0.3 | 0.1 | 0.0 | -0.6 | -1.2 | -1.4 | -2.0 |
| CPI, All Urban (1982-84=100) | 208.5 | 209.1 | 210.9 | 211.7 | 212.5 | 212.6 | 213.3 | 213.7 | 215.1 | 217.4 | 219.2 | 218.9 | 218.8 |
| | 4.5 | 3.2 | 11.3 | 4.4 | 4.8 | 0.3 | 4.2 | 2.5 | 8.1 | 13.4 | 10.3 | -1.6 | -0.4 |
| | 2.8 | 3.5 | 4.4 | 4.1 | 4.4 | 4.1 | 4.0 | 3.9 | 4.1 | 4.9 | 5.5 | 5.4 | 4.9 |
| US Retail Sales (\$Billions) | 378.4 | 379.3 | 381.3 | 377.9 | 380.0 | 378.1 | 380.0 | 380.8 | 383.8 | 384.1 | 381.6 | 379.0 | 374.1 |
| | 14.2 | 2.9 | 6.5 | -10.1 | 6.9 | -5.9 | 6.2 | 2.5 | 9.8 | 0.9 | -7.5 | -7.9 | -14.5 |
| | 5.3 | 5.4 | 5.8 | 3.4 | 3.9 | 2.7 | 2.3 | 2.8 | 2.0 | 3.1 | 2.0 | 1.3 | -1.1 |
| US Consumer Expectations (1966=100) | 74.1 | 70.1 | 66.2 | 65.6 | 68.1 | 62.4 | 60.1 | 53.3 | 51.1 | 49.2 | 53.5 | 57.9 | 67.2 |
| | 6.7 | -48.6 | -49.7 | -10.4 | 56.6 | -65.0 | -36.3 | -76.3 | -39.7 | -36.5 | 173.3 | 158.2 | 497.4 |
| | -5.2 | -17.3 | -20.4 | -19.2 | -22.3 | -23.4 | -23.6 | -29.8 | -34.1 | -34.1 | -34.4 | -21.4 | -9.3 |
| Ave. Prime Interest Rate (% NSA) | 8.03 | 7.74 | 7.50 | 7.33 | 6.98 | 6.00 | 5.66 | 5.24 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 |